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Dawes, Henry Laurens

Coinage of silver dollars

Washington

1878

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COINAGE OF SILVER DOLLARS.

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SPEECH

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OF

HON. HENRY L. DAWES,

OF MASSACHUSETTS,

IN THE

SENATE OF THE UNITED STATES,

JANUARY 29, 1878.



WASHINGTON.

1878.

SPEECH
OF
HON. HENRY L. DAWES.

The Senate having under consideration the bill (H. R. No. 1993) entitled "An act to authorize the free coinage of the standard silver dollar and to restore its legal-tender character," which is as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there shall be coined at the several mints of the United States silver dollars of the weight of 412½ grains Troy of standard silver, as provided in the act of January 18, 1857, on which shall be the devices and superscriptions provided by said act; which coins, together with all silver dollars heretofore coined by the United States of like weight and fineness, shall be a legal-tender at their nominal value for all debts and dues, public and private, except when otherwise provided by contract; and any owner of silver bullion may deposit the same at any United States coinage mint or assay-office, to be coined into such dollars for his benefit upon the same terms and conditions as gold bullion is deposited for coinage under existing laws.

SEC. 2. All acts and parts of acts inconsistent with the provisions of this act are hereby repealed."

Mr. DAWES. Mr. President, it appears to me that many questions in relation to coin and currency which have been raised in debate may be determined in the minds of Senators and still leave undetermined the question now before the Senate: Shall the bill under consideration become at this time the law of the land? It has reached its last legislative stage, having passed the other branch, and, after reference to a committee by this body, has been reported back for final action here. It is to take effect immediately. Whatever change is to be wrought by it begins instantly upon its enactment. It is apparent, therefore, that all its provisions are to be considered not as abstract propositions alone, but with earnest reference to the many exigencies and contingencies of the present time.

It may be conceded, without impairing a sufficient argument against this bill, that silver has been used as money from the beginning of the use of the precious metals for that purpose; that it is in its nature suitable for coin, and is one of the two metals mentioned in the Constitution from which alone legal-tender coin can be made, by the States at least. For the purposes of the argument, it may be conceded also that a bimetallic standard of gold and silver is better than a single standard of either metal. All this may be conceded, and yet the question is not answered, Shall this bill pass?

It is not my purpose, therefore, to follow Senators, who have preceded me, into the broad and general field of debate which they have traversed with so much ability, but to confine myself to what seem to me to be controlling reasons against the passage of this measure at this time, without stopping to inquire whether any possible condition of things could ever justify it. It deals with a subject, sir, upon which experiments cannot be safely made, and is of a nature that

the steps we take cannot be retraced. What is once done cannot be undone, and the consequences alone are left to us and are irreparable. The slowest pace, therefore, by which we move is the safest, and we cannot tread on uncertainty without jeopardy.

THE "BLIND" BILL.

What, therefore, is the bill as it comes to us from the House for our concurrence, any amendment to which, in the eyes of its most ardent friends, mars its beauty and impairs its efficacy? It authorizes any man or body of men to-morrow, if this bill should pass to-day, instantly on its passage, on his own account and for his own gain, and without cost to himself, to turn all the silver it is possible to command into dollars which shall be his, with power to discharge every debt, public or private, within the limits of the United States; and with power also in the private holder of it to add at once to the volume of the currency of the country all that amount of silver, or any part of it, or to hold it over that volume in an uncertain hand, dependent solely upon his own will, caprice, or expectancy of gain. There is no limit to this power over the volume of the currency except the limit to the power to gather in silver from the four quarters of the globe for coinage. Even the capacity of the mints to coin bullion would seem to form no practical limit, for certificates of the deposit of bullion are authorized by law and would at once form a part of the circulating medium equal in value to the number of dollars they would represent. I will read the law now applicable to gold bullion, and made by this bill applicable to silver bullion:

The Secretary of the Treasury is authorized to receive deposits of gold coin and bullion with the Treasurer or any assistant treasurer of the United States, in sums not less than \$20, and to issue certificates therefor, in denominations of not less than \$20 each, corresponding with the denomination of the United States notes. The coin and bullion deposited for or representing the certificate of deposit shall be retained in the Treasury for the payment of the same on demand. And certificates representing coin in the Treasury may be issued in payment of interest on the public debt, which certificates, together with those issued for coin and bullion deposited, shall not at any time exceed 20 per cent. beyond the volume of gold and bullion in the Treasury; and the certificate for coin and bullion in the Treasury shall be received at par in payment for duties on imports—*Revised Statutes*, section 524.

Such power over the volume of the currency was never before by statute put in private hands. The public exigency that will justify the delegation to any individual of so extraordinary and hitherto unheard of power must be great and not otherwise to be met. We therefore turn in search of it to a consideration of the present

FINANCIAL CONDITION OF THE COUNTRY.

What, then, is the condition of the currency at a time when it is proposed by this bill to clothe private parties with power to add to its volume at their pleasure in dollars whatever all the mints can produce and in certificates of deposits of bullion, receivable by law in payment of duties on imports and payable in payment of the interest on the public debt, whatever it is in their power to gather? There was alight on the 1st day of November in legal-tenders, national-bank notes, fractional currency, and fractional silver, \$27,000,000; just about double the amount of coin and paper together in circulation in 1860, when the war broke out. There was free banking in most of the States then, so that if more currency had been needed then it would have been issued. There is free banking in all the States now, and if the wants of trade require more than we now have, banking institutions whose business we are told by the friends of this bill is exceedingly profitable, would push it along.

But, instead, currency is at this moment seeking retirement because it has nothing to do. There have actually gone into retirement under laws of trade, and whose place any one under the free-banking act could have supplied, if these laws would have tolerated it, \$62,595,447 of currency since January 14, 1875. And the national banks had idle on deposit on November 1, in New York alone, over and above their required reserve, about \$8,000,000 of currency for which there was no call. And that, too, at the season of moving crops, when there is the greatest call for currency. There have been times when there have been \$30,000,000 of currency so idle. Therefore, whatever of stagnation there is in business, whatever want of employment labor is encountering, or of suffering the poor are experiencing, scarcity of currency is not the cause. There is a plethora of currency to-day, and like the laborer it stands idle in the marketplace waiting for employment. Figures cannot make demonstration clearer than this. And yet this bill proposes to add to this already swollen and inflated volume many millions more, and not the least of the vices that lurk under its provisions is the fact that no mortal can tell how many millions. The very uncertainty that this bill enacts will infuse itself into all business, all trades and occupations, as poison passes through the blood and stiffens and stills life itself. Just so far as it adds a dollar to the aggregate volume of the currency, it cheats and deludes the people with false quantities and vain expectations.

I cannot stop to argue the evils of inflation. If any one at this day disbelieves or doubts, he must be given over. I find it in this bill in its most insidious and dangerous form. And therefore its passage at this time will be especially unfortunate and disastrous. We are within a twelvemonth of the time fixed by law for resumption, and by contracting the volume of the currency as has been shown, by turning the balance of trade and the current of gold in our favor, as well as by the growing confidence in business circles inspired by these very elements, the difference between this currency of ours and the gold standard of the commercial world had come to be, before this bill appeared, only about 2½ per cent., with a constant tendency toward par. The course of events and the laws of trade were bringing paper equal to gold before the time fixed by law. The sudden, inevitable, uncertain addition to the volume of the aggregate currency of the country which this bill enacts will at once reverse all these causes and carry us further from instead of drawing us nearer to resumption.

This seems to be understood by many of the most zealous supporters of this measure, who are equally zealous in support of a bill indefinitely postponing resumption itself, now upon your table, for like concurrence with the House in its passage. Indeed, the feet of those who brought this bill here were hardly at the door before there came also those bearing its handmaid, the bill for the repeal of the resumption act. They are twin sisters. No provision will be tolerated as a part of this bill requiring the retirement of an amount of greenbacks equal to the amount of new silver coin to be issued under it. If such a provision were attached to it, then the discussion would turn largely upon the quality of the currency to be substituted for United States notes under it. The zeal of resistance to such a provision forces upon me the conviction that it is the double purpose of its fathers, if not of all who support it, to inflate the currency and defeat resumption.

THE UNCERTAIN COMMERCIAL VALUE OF SILVER.

There are other objections to this bill equally conclusive against its passage. When it was reported, silver enough to make the dollar it provides for could be bought for ninety-two cents. I believe it can be bought now for ninety cents. The Government is to turn it into a dollar for the holder without charge, so that the bill proposes instantly and by force of an enactment to put eight or ten cents, as the case may be, with every ninety cents' worth of silver any man has in his pocket, and that without the slightest equivalent; actually confers it upon him. That is not all. In conferring it upon the man who has the silver the bill takes just the same amount out of the pocket of the man, for he who parts with his property or his labor for the silver after it is thus turned into dollars by this bill must part with eight or ten cents more of his property or work for the same ninety cents' worth of silver than he will be obliged to if the bill does not pass.

Nor does it in any measure rectify this wrong when it enables the man thus compelled to pay ten cents more for every ninety cents of silver than it is worth, to pass it off to the next man for a dollar, because sooner or later it must encounter the fixed standard of the commercial world and instantly drop to its real value, and each one through whose hands it passes makes provision against the chance. Nothing can make a yard of cloth out of seven-eighths of a yard. No legal enactment has power enough to make it so. Calling it so by law is impudence. No matter how many hands it passes through labeled a yard, sooner or later it will reach the measure of the tailor, and the delusion vanishes at the touch. Every attempt to force, by law, a fictitious appreciation upon a depreciated value is sure to inflict evil and wrong upon those compelled to use it, and most of all upon the poor, who, without capital, are at the mercy of every change.

But the evils this bill will inflict are greatly aggravated by the uncertain and fickle character of the value itself. The piece of silver which this bill enacts into a dollar does not stand fixed at ninety or ninety-two cents, as it is to-day by every other standard but this bill. If it were so fixed, every one compelled to take it as a dollar would know just how much his coin had been clipped or debased by the standard of the commercial world outside of this law, and govern himself accordingly in all his transactions with it. But the same piece of silver may be worth to-morrow ninety-four cents or it may not be worth but eighty-eight, and no human foresight can make certain which. Every business undertaking in this country, therefore, which is to be completed to-morrow or at any time in the future is by this bill launched at once upon the uncertainty that the value of the money to be paid or received in its fulfillment is like the barometer, rising and falling with every puff of the atmosphere around it. Does anybody wonder, then, that healthy enterprise in face of such uncertainty will fold its wings and wait; that cautious capital will take itself to shelter and security; or that deluded labor will bear still greater burdens of idleness and want forced upon it by distrust and doubt enacted into law? Confidence alone is the atmosphere in which all human effort breathes and lives; distrust, the mephitic gas in which it dies.

Without stopping to controvert, but even admitting for the sake of the argument, that it was unwise to demote silver in 1873, when it certainly was much more stable in value than now, yet it seems to me that nothing can be more inopportune than this instant remonetization of it now when all the causes of its destitution are in

full operation and without the slightest provision to protect the business or the credit of the country against its effects. No other civilized nation that I know of at this time has sought to lighten the money function of silver. England has taken it away entirely. Germany is doing the same as fast as she can find a market into which to push her useless silver. And no nation of the Latin union, a league of nations, which have by treaty fixed upon a relative ratio between gold and silver for a term of years, is either coining silver or inviting it into its trade. France, the most important of these nations, has put an absolute stop to the coinage of silver and is waiting to exchange her vast stock for our gold as soon as this bill will enable her to take one dollar in our gold for that which is worth at home but ninety-two cents. All this time the mines of Nevada and elsewhere are increasing in production, and the use of silver in many ways outside of money is daily being superseded by other metals and other methods in art and science. So plethora is the market at this moment that a recent attempt by Germany to sell in London a few hundred thousand of her surplus silver caused it to fall nearly two pence in the ounce.

Now, without any previous preparation or consultation with those nations still using silver with gold, and at a ratio between them fixed by treaty among themselves, we propose in this condition of the market to instantly remonetize silver here, and at a different ratio from any other in the civilized world. If we are to return to silver, it should be after preparation in concert with other great commercial nations who will fix with us a common ratio, and with us hold the two metals as firmly in commerce to that ratio as possible. If should be with limitation upon the amount to be issued and upon the legal-tender power of the coin itself, neither of which exist in this bill.

THE PUBLIC CREDIT WILL SUFFER.

The passage of this bill will be at a terrible cost to the public credit. It makes the entire public debt payable in silver, to-day eight or ten cents below par in the markets of the world, and so fluctuating and unstable that no one can tell what will be its value to-morrow, much less what it will be in the future, when the bonds shall mature.

The public faith has been pledged before the world to the payment of the debt of the nation in coin. When that pledge was made we had no silver coin and had had none for nearly thirty years. Gold was then our only coin. A large part of our indebtedness, the recent fives, the 4s and the 4 per cent. bonds have been issued since silver coin has been made unlawful. For all these bonds we have exacted their face in gold of those who took them of us. And now by this bill we propose to authorize ourselves to pay our own bonds in depreciated silver. The holder of our debt having no power over the Government to enforce its obligations in any court, relies solely and implicitly upon its good faith for their fulfillment. A nation's faith is as sensitive as the apple of the eye, and as sacred as a woman's honor. Suspicion that it will not be kept in spirit as well as letter will damn it. It is not that power is usurped to make our own debt payable in silver coin that complaint will be made, for of the power under the Constitution no one will doubt. But it is the attempt to make the debtor himself to make his own debt payable in a depreciated coin that did not exist when the debt was contracted, which before the world will be stamped as bad faith, and cannot be persisted in except by a terrible sacrifice which no nation can afford to make. The blot upon our honor gets its darkest shades from the paltry

profit of eight cents on a dollar which the debtor seems to make by the attempt.

It is the loss of confidence that our obligations will be kept in the spirit as well as the letter that will shake the public credit. And when it comes to be known that a nation in dealing with its creditors will resort to any make-shift that promises temporary gain within the letter of the bond, however wide from its spirit, then will its credit sink and carry down with it the power to borrow money at all. It is not by this line of policy, but the reverse, that our credit has been built up till our bonds have risen, even the four per cents, above par. We have hitherto so resolved all doubts as to strengthen not weaken the credit of the nation. The statute of 1839 put an end to all doubt about the payment of our bonded debt in coin, although something might have been gained then as now by the payment of it in cheaper money. The statute of 1870 printed upon the face of the bond its express exemption from all taxation, national, State, or local. And the statute of 1875 pledged the faith of the nation that even the non-interest-bearing promises of the Government should be redeemed in coin by the 1st of January, 1879. These statutes have all been declarations to the world that this nation was not in search of some new and easier way to discharge its obligations, but held itself up to the most rigid and stringent maintenance of its faith, according to the spirit which inspired the obligation, whatever may have been its letter. It has been reserved for this bill to have discovered in the letter of the law an opportunity to discharge our indebtedness with a cheaper coin not in existence when that indebtedness was incurred. The discovery will in the end prove a terrible sacrifice of treasure as well as of honor.

THE CHEAPEST WILL BE THE ONLY MONEY.

Gold is at one price and is a legal tender in payment of all debts. Greenbacks are cheaper than gold and will also pay all debts except United States bonds and duties. Silver is cheaper still, and if made a full legal tender no one when he can get it will purchase the dearer money to pay a debt when the cheaper will answer as well. The inevitable result will therefore be that silver will be the only money used. Gold will go to those countries that have use for it, and greenbacks will go out of sight, for they have no other place to go to. In this connection it is well to consider what will be the effect upon the commerce of the country to thus force upon it a currency and medium of exchange not at par with the gold standard of the rest of the commercial world.

The United States are upon the threshold of a new industrial era. The development of our vast national resources has so far advanced and manufacturers have attained such stability and perfection in production, and labor and capital, waiting to convert raw material into fabrics, are so abundant that all eyes are turning to foreign markets for relief. As in no previous period is American enterprise seeking with its products to compete with other nations in their own markets. If new outlets for over-production can thus be found, capital and labor will wake to new activity and national prosperity will receive a new impetus. Every effort should be made to remove all hindrances and impediments to the freest possible intercourse and the closest commercial intimacy with all nations which consume what we produce. How unwise, then, to measure our values by a standard not known to them or uncurrent in their trade! How much, on the other hand, a common standard or common unit of value among great

commercial nations would facilitate and stimulate intercourse, carrying our products into new markets and thus building up industries at home!

But this bill creates a ratio of value between silver and gold now in use nowhere else, confusing, perplexing, discouraging commerce. It drives out also the more stable and better metal sought after by all other civilized nations, and leaves commerce to struggle on and make its way, as best it may, with a cheap and fluctuating medium of exchange and measure of value depreciated in every market of the world below its statute value at home.

These, Mr. President, are some of the reasons which constrain me to withhold my support from the bill as it came from the House. Now does the amendment proposed by the Committee of Finance, though improving the bill, remove these objections. The improvements are slight, and I fear delusive rather than real. It is proposed by this amendment that the Government shall purchase the silver to be coined at its market value and coin it on its own account and for its own profit, instead of coining it free of charge for the owner and for his gain, as provided in the House bill.

That is, the Government pays ninety-two cents for a piece of silver, stamps it a dollar, and passes it off for a dollar, thinking it has made eight cents by the operation. That might be so if this ninety-two cents did not ever come back again and force itself back on the Government in the place of a gold dollar. When that happens then all that has been made in the first operation has been lost in the second. Now, this very bill compels the Government to take for all the customs duties, now payable in gold, some \$100,000,000 a year, silver dollars made out of ninety-two cents' worth of silver, and for which it can get back only ninety-two cents in no other way in the world but by forcing its own citizens to take it again for a dollar, they in turn forcing it back on the Government through the custom-house. But if either steps beyond our jurisdiction with it the delusion vanishes, and it stands out ninety-two cents only. And thus, what is made with one hand is lost with the other.

Another provision of the amendment is what appears to be a limitation upon the amount of coinage in any one year. It provides that the amount of silver bullion thus to be purchased for coinage by the Government shall not be less than two million nor more than four million dollars' worth each month. But the entire capacity of all the mints of the United States lies within these limits; and the limitation has no other practical effect upon the amount of coin to be produced under this bill except to remove the temptation to build new mints and enlist extra power in the work of turning cheap silver into dollars. Although I shall vote for the amendment, I cannot vote for the bill after it shall have been amended.

I am opposed to the objects aimed at by its advocates, and it is of little moment to me what form of legislation they may choose for their accomplishment. The evils of inflation involved in this bill are patent and deplorable. The utter disregard of that irreversible revolution which has come over the production, the value, and the use of silver, upon which the bill proceeds, renders rational support of it impossible. The attempt by its enactment to confer on silver a value which mankind refuses to recognize is so impotent that a miserable and inglorious failure waits on its folly. The pretense that it will furnish the debtor with cheaper means with which to cancel his indebtedness is too shallow to deceive even the most credulous of debtors more than for a moment. For whether the ninety cents

which the Mint turns into a dollar shall belong to bullion-gatherers, as the Island bill provides, or to the Government, as the amendment proposes, no debitor can ever get hold of one of these new dollars with which to pay a debt without paying the bullion-owner or the Government the full face of it.

He will need but one transaction in this "cheap" money to open his eyes. The delusion will then vanish and the authors of the deception will then encounter the curses of the deceived. The passage of this bill will hinder and obstruct if not absolutely break down resumption a year hence; and he who believes that January 1, 1879, is a postponement of the fulfillment of the nation's promises altogether too long for the nation's honor and health, cannot with his eyes open vote for it. And lastly, the spectacle of a great nation, in the vigor of undeveloped mammoth and unmeasured wealth, seeking by such a bill as this something with which to pay its indebtedness to its own citizens cheaper than the money it borrowed of them, and counting up the total profit of eight cents on a dollar saved in thus liquidating with cheap money in the days of its security and strength its indebtedness of \$2,000,000,000 contracted in the hour of its extremity and to save its life—such a spectacle is one abhorrent to national honor and destructive to national credit, involving national humiliation and disgrace.

Mr. President, the laws of currency and political economy, on which this bill and kindred measures are making war, are older than this debate and the popular excitement which it feeds and is in turn fed by, and will control business and trade long after both shall have passed away and been forgotten. They are not heeded now, but the time is sure to come when they will assert their dominion and exact the penalty inseparable from their infraction. Ears now deaf to the voice of all history will be then unsealed. Eyes that will not now see the unmistakable signs of the coming of that day will then be opened. It must needs be that the heresies and delusions of the hour must come, but woe unto them by whom they come. Every step thus far taken in the great financial struggle of this nation with itself to recover the ground lost by its first departure from these laws has its counterpart written in English history before resumption in 1821 and in that deplorable record of the rise and fall and ruin of the French assignats. Statesmen were then as now frightened off their feet by the hoarse cry of more, more, more, while gamblers in the rise and fall of values had lifted up demagogues to utter in the ear of distressed and hungry credulity.

There was the speculator in greenbacks then; the Wall street stock-jobber was born of the French dealer in assignats, and the English inflationist of 1818, 1840, 1830, has his descendants on this side the water making corners in currency and coin. It is their craft that is in danger of destruction by resumption. And the din and uproar heard above the voice of reason, the teachings of history, and the warnings of experience are not the complaint of sober, earnest business, intelligent, enterprising industry, nor of honorable, thrifty labor, but that of those alone who profit for the moment by playing with loaded dice at the game of tossing values.

But be assured, sir, the day of these men is short. The end will surely come. The chapter in their lives and their work yet to be written here is already recorded in the ruin their prototypes in France and England brought upon their deluded followers. If we will not heed the warnings of history we will surely be taught the lessons of experience. The laws which govern currency and trade, old as civil-

ization and commerce among nations and individuals, cannot be set at naught with impunity. Over the popular delusion and political frenzy of the hour there reigns an inexorable higher law, waiting on the footsteps of all law-breakers: "The way of the transgressor is hard."

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